2018 ANNUAL REPORT & FINANCIAL STABILITY AND PAYMENT SYSTEMS REPORT

27 MARCH 2019
In a nutshell...

Amid rising external headwinds, the Malaysian economy to remain on a **steady growth path** in 2019.

Downside risks to growth remain, in an environment of heightened uncertainties.

Safeguards are in place to navigate headwinds.
2018, a year of resilience despite multiple headwinds

Malaysia’s GDP growth: 4.7%
High frequency indicators point to slowing global economic activity going into 2019

**Broad-based PMI moderation**

Global Composite PMI (Manufacturing and Services) Index

- Advanced Economies: 52.7
- Emerging Markets: 50.4

> 50 = expansionary

Jan-17 Jun-17 Nov-17 Apr-18 Sep-18 Feb-19

**High global financial market volatility**

CBOE Volatility Index (VIX) Index

- Jan-17: 52.7
- Jun-17: 50.4
- Nov-17: 12.9
- Apr-18: 25.0
- Sep-18: 15.2
- Feb-19: 12.9

**Elevated policy uncertainty**

Global Economic Policy Uncertainty Index, 3 mma

- Jan-17: 298
- Jun-17: 129
- Nov-17: 298
- Apr-18: 129
- Sep-18: 298
- Feb-19: 298

**Volatile commodity prices**

Brent Crude Oil Price USD/bl

- Jan-17: 80.6
- Jun-17: 64.4
- Nov-17: 80.6
- Apr-18: 64.4
- Sep-18: 80.6
- Feb-19: 64.4

Sources: Haver, Bloomberg, Economic Policy Uncertainty, and BNM estimates
Against this backdrop, how will the Malaysian economy fare in 2019?

Baseline growth to remain steady between 4.3% - 4.8%
…supported by:

<table>
<thead>
<tr>
<th>Sector</th>
<th>2018</th>
<th>2019f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real, %yoy</td>
<td>4.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Private Consumption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real, %yoy</td>
<td>8.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Services VA, %yoy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>2019f</td>
<td>1.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Commodities VA, %yoy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>6.8</td>
</tr>
<tr>
<td>2019f</td>
<td>5.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Manufacturing VA, %yoy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>8.1</td>
<td>4.8</td>
</tr>
<tr>
<td>2019f</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Exports %yoy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>6.8</td>
<td>3.4</td>
</tr>
<tr>
<td>2019f</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Department of Statistics, Malaysia and Staff estimates

Continued demand from major trade partners:

- Continued demand from major trade partners
- Resilient private sector spending
- Recovery in commodity sectors amid continued expansion in key economic sectors
- Recovery in commodity sectors amid continued expansion in key economic sectors
Private sector spending to remain resilient, in the absence of major shocks
Multiple shocks refer to GST, oil price decline, MYR depreciation, layoffs and low Oil & Gas income growth.

Source: Department of Statistics, Malaysia
Private consumption to normalise, but remains firm

Lift from temporary measures is diminishing, but fundamental drivers remain supportive

Factors Supporting Household Spending

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continued income and employment growth</td>
<td></td>
</tr>
<tr>
<td>Fuel price stabilisation (2Q ‘18-2Q ‘19)</td>
<td></td>
</tr>
<tr>
<td>Tax holiday (Jun-Aug)</td>
<td></td>
</tr>
<tr>
<td>Strong sentiments (2Q-3Q)</td>
<td></td>
</tr>
<tr>
<td>Special payments to civil servants/pensioners (4Q)</td>
<td></td>
</tr>
</tbody>
</table>

Targeted measures to alleviate cost of living for lower-income households

1. Price ceiling on retail fuel prices
2. Higher minimum wage
3. Bantuan Sara Hidup cash transfer

Source: Department of Statistics, Malaysia
Stable labour market outlook, corroborated by employer surveys and industrial engagements

**Private Sector Wages**
Annual change, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Exec</th>
<th>Non-Exec</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.3</td>
<td>4.9</td>
</tr>
<tr>
<td>2017</td>
<td>6.4</td>
<td>4.9</td>
</tr>
<tr>
<td>2018</td>
<td>6.0</td>
<td>2.2</td>
</tr>
</tbody>
</table>

**Employment**
Annual change, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Exec</th>
<th>Non-Exec</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.7</td>
<td>56</td>
</tr>
<tr>
<td>2017</td>
<td>2.0</td>
<td>36</td>
</tr>
<tr>
<td>2018</td>
<td>2.5</td>
<td>8</td>
</tr>
</tbody>
</table>

**Industry Insights on Labour Outlook**

**Malaysian Employers Federation Salary Survey**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exec</th>
<th>Non-Exec</th>
<th>Exec</th>
<th>Non-Exec</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.9</td>
<td>4.9</td>
<td>2.2</td>
<td>2.1</td>
</tr>
<tr>
<td>2019f</td>
<td>4.9</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>

**BNM Regional Economic Surveillance**

% of firms indicating change in headcount (2019)

- Sustained: 56
- Higher: 36
- Lower: 8

Note: Private sector wages is derived from the salaries and wages data published in the Monthly Manufacturing Statistics and Quarterly Services Statistics by the Department of Statistics, Malaysia. It covers 63.5% of total employment.

Sources: Department of Statistics, Malaysia, 2018 MEF Salary Surveys for Executives and Non-Executives, and BNM’s industrial engagements (Sep. 2018 - Feb. 2019)
Despite the uncertain environment, firms continue to invest

Sentiments softened amid increased uncertainty

MIER Business Conditions Index
Points

Vistage-MIER CEO Confidence Index
Points

Optimism threshold = 100

Source: MIER and Vistage-MIER
Investment approvals have risen significantly, focusing on capacity and efficiency enhancements.

MIDA Manufacturing Investment Approvals (2018)
RM billion

<table>
<thead>
<tr>
<th>Sector</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Products</td>
<td>32.9</td>
<td>9.6</td>
</tr>
<tr>
<td>Electrical &amp; Electronics</td>
<td>11.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Rubber &amp; Chemicals</td>
<td>9.6</td>
<td></td>
</tr>
<tr>
<td>Basic metal</td>
<td>13.1</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Others*</td>
<td>18.7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>64</td>
</tr>
</tbody>
</table>

M&E spending on automation to enhance production efficiency, particularly in the E&E and primary-related sub-sectors.

Services
Continued capacity expansions to meet demand, including in the transport, storage, and communication sub-sectors.

*Includes machinery and equipment, plastics, textiles, food, fabricated metal, non-metallic mineral and paper industries

Source: MIDA
Private sector financing supportive of economic activity

Record growth in loans disbursed since 2014 at 7.3%

Levels of Gross Financing to Businesses and Households*
RM billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans Disbursed to Businesses</th>
<th>Loans Disbursed to Households</th>
<th>Funds Raised via Capital Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>317.7</td>
<td>706.2</td>
<td>86.2</td>
</tr>
<tr>
<td>2017</td>
<td>335.4</td>
<td>749.9</td>
<td>124.4</td>
</tr>
<tr>
<td>2018</td>
<td>357.9</td>
<td>794.4</td>
<td>95.1</td>
</tr>
</tbody>
</table>

Growth in Total Loans Disbursed by the Banking System and DFIs

-1.2%  5.0%  7.3%

*Comprises gross loans from the banking system and DFIs, and funds raised from the capital markets (excludes issuances by Cagamas and non-residents)
Source: Bank Negara Malaysia
Higher loans were disbursed across all business segments and most economic sectors in 2018

**Loans Disbursed**

**Across Business Segments**
RM billion

<table>
<thead>
<tr>
<th></th>
<th>SMEs</th>
<th>Non-SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. 2013-2017</td>
<td>261</td>
<td>438</td>
</tr>
<tr>
<td>2018</td>
<td>307</td>
<td>487</td>
</tr>
</tbody>
</table>

**Across Selected Economic Sectors**
RM billion

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>2013-2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>209</td>
<td>237</td>
</tr>
<tr>
<td>Wholesale and retail trade, restaurants, and hotels</td>
<td>203</td>
<td>231</td>
</tr>
<tr>
<td>Construction</td>
<td>68</td>
<td>89</td>
</tr>
</tbody>
</table>

**Loans from the banking system and DFIs**
Source: Bank Negara Malaysia
Financing by banks remain strong

Higher total loan growth in 2018*

3.9% in 2017

4.8% in 2018

*Refers to outstanding total loans from banks and non-banks

...with banks continuing to target higher loan growth in 2019

7 – 8%

targeted growth in outstanding bank loans**

**Based on a weighted average of 17 banks’ internal loan growth targets from responses to an internal survey on banks. The 17 banks represent 87% share of total banking system loans as at 2018.
However, banking system loan applications moderated towards end-2018, while loan approvals remained stable.

### Loan Applications^ (3mma)

<table>
<thead>
<tr>
<th>Month</th>
<th>RM billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-18</td>
<td>68.7</td>
</tr>
<tr>
<td>Aug-18</td>
<td></td>
</tr>
<tr>
<td>Sep-18</td>
<td></td>
</tr>
<tr>
<td>Oct-18</td>
<td>68.7</td>
</tr>
<tr>
<td>Nov-18</td>
<td>66.7</td>
</tr>
<tr>
<td>Dec-18</td>
<td></td>
</tr>
</tbody>
</table>

^Refers to banking system data only

Source: Bank Negara Malaysia

### Loan Approvals^ (3mma)

<table>
<thead>
<tr>
<th>Month</th>
<th>RM billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-18</td>
<td>34.4</td>
</tr>
<tr>
<td>Aug-18</td>
<td>31.8</td>
</tr>
<tr>
<td>Sep-18</td>
<td></td>
</tr>
<tr>
<td>Oct-18</td>
<td></td>
</tr>
<tr>
<td>Nov-18</td>
<td></td>
</tr>
<tr>
<td>Dec-18</td>
<td>31.8</td>
</tr>
</tbody>
</table>

^Refers to banking system data only

Source: Bank Negara Malaysia
SME financing remains a key strategic focus of financial institutions...

SMEs represent a primary customer segment for financial institutions

- 87% of business financing accounts
- More than 123,000 financing applications approved
- 3 in 4 financing applications approved
- RM 307bil financing disbursed

Enhanced access to financing has contributed to lower constraints faced by SMEs

1. Increased competition
2. Fluctuating demand
3. Rising input cost
4. Rising labour cost
5. Labour shortage
6. Retaining labour
7. Maintaining cash flow
8. Difficulty accessing financing
9. Government regulation

SMEs’ ranking of factors constraining growth (from most to least constraining)

...with various ongoing efforts to enhance the financing ecosystem to support SME growth

- Access to financing and financial services at 40 financial institutions
- Credit Guarantee Corporation/ Syarikat Jaminan Pembiayaan Perniagaan guarantee schemes and BNM’s Fund for SMEs
- Skim Pembiayaan Mikro
- imSME Online Financing Referral Platform
- Access to information, advisory and redress at BNMLINK and other relevant agencies*

* SME Corporation Malaysia and Credit Guarantee Corporation
Growth prospects also lifted by recovery from supply disruptions…

Turnaround in both mining and agriculture sectors to support production and export growth

Commodity: Contribution to GDP Growth
ppt contribution to headline GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Mining</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-17</td>
<td>+0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>2017</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>2018</td>
<td>+0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>2019f</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Agriculture (7.8% of GDP)
Improvement in palm oil yields amid waning impact from adverse weather

Mining (7.9% of GDP)
Recovery of natural gas operations in East Malaysia

Source: Bank Negara Malaysia and Department of Statistics, Malaysia
Additional production capacity in primary-related and E&E sub-sectors to support growth

2019 Sales Projection of New Manufacturing Capacity
% share of total

- Primary-related (69%)
- E&E (15%)
- Transport (incl. aerospace) (6%)
- Others (10%)

Oil and Gas Value Chain

Contribution from RAPID upon full capacity

- Upstream
- Midstream
- Downstream

47% increase in refined petroleum capacity

Deepen domestic economic complexity by producing high value-added specialty chemicals in the longer term

Note: The manufacturing sector accounts for 23% of GDP in 2018
Source: Staff estimates based on news flow and industrial engagements
Continued expansion in exports amid more moderate global growth and trade activity…

Malaysia’s Gross Export Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019f</td>
<td>3.4%</td>
</tr>
<tr>
<td>2018p</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Loss from trade tension (in baseline)
-0.6 to -1.0

Potential gain from trade diversion* (not in baseline)
+0.1 to +0.4

*Potential gain from trade diversion is more likely to occur if the products already account for a significant share of US import market and manufacturers have the capacity to ramp up production.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates
...supported by diversified manufacturing base and capacity expansions

Despite global tech downcycle, increased capacity allows firms to tap into global demand for growing product segments

**Automotive**
Increasing use of electronics in vehicles

**Medical**
Spurred by semiconductor use in medical devices

**Chemicals**
Growing demand for specialty chemicals

**Rubber products**
Rising demand in medical industry

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1. Other E&E include office and automatic data processing machines, electrical machinery & parts and telecommunication equipment.
2. Major components include optical & scientific equipment, processed food, palm oil-based manufactured products, rubber & wood products, transport equipment.

Note: Numbers may not add up due to rounding.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia.
Is Malaysia suffering from deflation?

Recent negative headline inflation due mainly to lower fuel prices, not a sharp deterioration in demand conditions

Core inflation remained relatively stable amid sustained domestic demand conditions

*Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of consumption tax policy changes.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates
Relatively stable share of CPI items recording price increases in recent months despite negative headline inflation

Pervasiveness based on month-on-month (m-o-m) inflation of CPI items**

**Based on the month-on-month inflation for 125 CPI items at the 4-digit level
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates
Headline inflation in 2019 is projected to average between 0.7% – 1.7%

Pass-through from ...

Domestic cost factors, including those arising from policy measures

...offset by impact from:

Lower global oil prices
*Average oil prices 2019f: USD59/barrel; 2018: USD69/barrel

Price ceilings for domestic fuel until mid-year
RON95 petrol: RM2.08/litre; Diesel: RM2.18/litre

Underlying inflation is expected to be sustained
Steady expansion in economic activity, absence of strong demand pressures

*Average prices of UK Brent, West Texas Intermediate, and Dubai Fateh as forecasted by the IMF in its January 2019 update to the World Economic Outlook
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates
While headline inflation is subdued, cost of living concerns continue to affect certain segments of society.

Households in urban areas, such as KL face a larger increase in cost of living relative to others.

Headline Inflation by Geographical Region

Peninsular Malaysia
Jan-Feb 2019: -0.5% (2018: 1.0%)**

KL 0.2%
(1.4%)

Sabah & WP Labuan
-1.0%
(0.7%)

Sarawak
-1.2%
(0.6%)

Households would need to earn an income that supports a minimum acceptable living standard.

Living Wage^ Estimates in KL in 2016 (RM per month)

Single adult
Couple without children
Couple with two children

RM2,700
RM4,500
RM6,500

Longer-term structural policies to boost productivity & income growth are needed to support higher standard of living.

**Numbers in parentheses refer to 2018 average inflation.

^Bank Negara Malaysia uses the term 'living wage' to mean income from all sources besides wages, such as non-wage work benefits and social assistance.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates
Workers receive a lower share of national income

**Productivity perspective**

- Malaysian wages are below their actual productive worth

**Equity perspective**

- Malaysia is less capital intensive - labour plays a larger role…
- …yet workers earn a lower share of income

*Benchmark used is an average of advanced economies: US, UK, Australia, Germany, Singapore*

Source: Department of Statistics, Malaysia and CEIC
Insufficient creation of high-skilled, high-paying jobs

Low-skilled jobs are created faster than mid- and high-skilled jobs…

Growth of Total Employment (CAGR) (2010-2017)

… due to expansion in labour-intensive and low wage industries

Sectoral GDP Growth and Median Wage Levels (2011 – 2017)

Notes:
1. Data for median wage levels are as at 2016 as Malaysia’s 2017 salaries and wage data only represents citizens
2. To facilitate readability, ‘jobs’ in this slide is in reference to ‘net employment gains’, derived from the Labour Force Survey
Source: Bank Negara Malaysia estimates using data from Department of Statistics, Malaysia
Higher downside risks to growth in 2019...

Baseline: 4.7%

Some Upside Risks

Higher Downside Risks

2019
arising mainly from external uncertainties

- Lower-than-expected inflation
- Resolution of trade disputes

- Resilient private sector spending
- Receding supply disruption and capacity expansions
- Continued demand from major trade partners

- Sharper moderation in global demand
- Escalation of trade tensions
- Disruption in global financial markets
- Weaker-than-expected commodity prices and production
Policy priority is to ensure orderly adjustments in the exchange rate and financial markets

Despite the outflows in 2018, ringgit movements remain orderly and in line with regional currencies, owing to the policy configuration in place.

Ringgit flexibility has allowed the Malaysian economy to better withstand external shocks.

The Bank will continue to ensure that adjustments in the ringgit exchange rate remain orderly and not excessively volatile.

Broad policy toolkit to manage emerging risks, including targeted prudential policies and financial market measures.

Non-Resident Portfolio Flows and Performance of Ringgit and Regional Currencies against the US Dollar

<table>
<thead>
<tr>
<th>Year</th>
<th>MYR/USD</th>
<th>Regional Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>-1.8%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>2019*</td>
<td>1.9%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

* Year-to-date as at 22 March 2019
Note: Regional countries include PR China, Indonesia, South Korea, Philippines, Singapore, Taiwan and Thailand
Source: Bank Negara Malaysia and Department of Statistics, Malaysia
Deep domestic financial markets would ensure orderly movements in domestic asset prices amid volatile capital flows.

Despite volatility, adjustments in the domestic financial markets remain broadly contained, supported by well-developed financial markets and diversified investor base.

**Note:** Regional countries include PR China, India, Indonesia, South Korea, Philippines, Singapore and Thailand.

**Source:** Bloomberg

**Majority of non-residents holdings are by long-term investors.**

**Presence of large domestic investor base.**

**Availability of hedging instruments and flexibilities.**

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**10-year Government Bond Yields**

Index (Jan 18 = 100)

**Equity Market Performance**

Index (Jan 18 = 100)

Note: Regional countries include PR China, India, Indonesia, South Korea, Philippines, Singapore and Thailand.

Source: Bloomberg
Foreign exchange administration liberalisation to enhance businesses’ hedging flexibilities…

Flexibility to hedge longer term obligations
(Effective immediately)

Residents can extend hedging of foreign currency exposures on current account obligations¹ and loan repayment up to 12 months

**Benefit**
Allow residents to better manage their foreign currency exposure for longer tenure

¹/ Current account obligations include imports of goods and services as well as profits, dividends and interests
SME: Small and Medium Enterprise
Resident exporters can make payment in foreign currency to resident SMEs (net importers) for settlement of domestic trade in goods and services upon one-off registration with respective banks.

**Benefit**

Allow SMEs which are net importers to achieve ‘natural hedge’, thus minimising foreign exchange risks.
External debt is driven by country-specific factors

FCY exposure (68.9%) is subjected to prudential and hedging requirements

External Debt as at end-2018:
64.7% of GDP

Non-resident holdings: 20% of total external debt

Deep & liquid domestic debt market with high non-resident participation

Extensive regional footprint of domestic banks

Large presence of foreign banks & MNCs

Ringgit-denominated (31.1%) not affected by currency fluctuations

Source: Bank Negara Malaysia, IMF, and World Bank
External Debt Simulation: Rise in Debt Level After Each Shock (as at end-2023, % of GDP)

- **Baseline External Debt (2023)**: 56
- **Current account* shock (4.3ppt lower than baseline)**: 77
- **GDP growth shock (2.4ppt lower than baseline)**: 64
- **Exchange rate shock (14.9% depreciation)**: 61
- **Interest rate shock (0.7ppt higher than baseline)**: 58

*Current account excluding interest payments to non-residents
Note: FCY refers to foreign currency
Source: Bank Negara Malaysia

**External risks are well-mitigated by debt profile and the availability of external buffers**

### Banking Institutions

- **Intragroup exposures 47%**
- **Banks’ external debt**
- **Non-intragroup 53%**
- **FCY liquid assets RM136 bn**
- **FCY External debt-at-risk RM64 bn**

### Corporations

- **Other debt 25%**
- **MNCs’ external debt**
- **Intercompany borrowings 75%**
- **FCY external assets RM931 bn**
- **FCY External debt RM324 bn**
How will monetary policy support sustainable growth with price stability in 2019 and 2020?
Close monitoring of global and domestic developments for the potential impact to domestic growth, inflation and financial conditions is key
- Monetary policy considerations are complex and multifaceted

Monetary operations will continue to ensure sufficient liquidity to support financial intermediation activity

At the current level of OPR, the stance of monetary policy remains accommodative and supportive of economic activity

Source: Bank Negara Malaysia
Final Analysis

**Economic outlook**
GDP to grow between 4.3 – 4.8%, anchored by private sector spending, capacity expansion and commodity recovery

**Risks**
Downside risks remain, mainly from trade tensions, global slowdown, and tightening in global financial market conditions

**Policy space**
Sound fundamentals, facilitative policies, and sufficient buffers allow Malaysia to face headwinds from a position of strength
Solid economic foundation to support steady growth

- Diversified trade, economic sectors and investments
- Private sector-led economy
- Business-friendly environment

- Deep financial markets
- Flexible exchange rate
- Adequate international reserves
- Sustained current account surplus (2019f: 1.5 – 2.5% of GNI)
**Bank Negara Malaysia:**
**Financial position remained stable in 2018**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>RM447.64 billion</td>
</tr>
<tr>
<td>International Reserves</td>
<td>RM419.57 billion/USD101.4 billion</td>
</tr>
<tr>
<td>Net Profit</td>
<td>RM7.52 billion</td>
</tr>
<tr>
<td>Dividend paid to the Government</td>
<td>RM2.5 billion</td>
</tr>
</tbody>
</table>
**Financial Position** (as at 31 December 2018)

RM billion

- **Assets**
  - Gold and Foreign Exchange
  - Other Assets
  - Loans and Advances
  - SDR
  - Land and Buildings
  - IMF Reserve Position
  - MGS
  - Deposits with Fis

- **Capital**
  - 132

- **Liabilities**
  - 316

---

**Income and Expenditures**

(year ended 31 December 2018)

RM billion

- **Total Income**
  - 9.33

- **Net Income**
  - 7.52

- **Recurring Expenditure**
  - 1.35

- **Development Expenditure**
  - 0.42

- **Taxation**
  - 0.04
Financial stability was preserved in 2018

- Effective financial intermediation process
- Orderly functioning of financial markets
- Continued public confidence in the financial system
Strong and resilient financial institutions continue to underpin domestic financial stability

Banks’ excess total capital
RM115 bil
(2017: RM124 bil)

Liquidity coverage ratio
143%
(2017: 135%)

Loan loss coverage ratio
98%
(2017: 82%)

* Excess total capital refers to total capital above the regulatory minimum, which includes the 2018 capital conservation buffer requirement and bank-specific higher minimum requirements.
Source: Bank Negara Malaysia
Capital ratios of banks and insurers above regulatory minima even under simulated stress scenarios

Simulated GDP shocks more severe than past stress events

Standard deviations from long-term growth

- GFC
- AFC

AS1: Adverse Scenario 1
AS2: Adverse Scenario 2

Pre-shock
- CET1 capital ratio (banks)
- Capital adequacy ratio (insurers)

Post-shock

Minimum regulatory requirement: 4.5%

CET1 capital ratio, % (banks)
- 13.1
- 12.4
- 10.5

Capital adequacy ratio, % (insurers)
- 244
- 221
- 174

A significant portion of capital is in the form of high quality loss-absorbing instruments

*cumulative shock across stress test horizon (4 years)
1 AS1: Adverse Scenario 1
2 AS2: Adverse Scenario 2

Source: Bank Negara Malaysia
Financing activity has continued to support banks’ profits…

68% of income attributable to financing activities

Improvement in interest margins driven by continued efficiency gains

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Interest Margin (%)</th>
<th>Cost-to-Income Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.08</td>
<td>45.8</td>
</tr>
<tr>
<td>2017</td>
<td>2.11</td>
<td>44.8</td>
</tr>
<tr>
<td>2018</td>
<td>2.12</td>
<td>44.6</td>
</tr>
</tbody>
</table>

Source: Bank Negara Malaysia
…with profitability levels largely in line with rating and regional peers

1.4% Return on assets (2017: 1.5%)

12.6% Return on equity (2017: 13.0%)

3.6% Total assets* 2018 annual growth

5.9% Total equity 2018 annual growth

5.6% Loan growth

2.9% Pre-tax profit 2018 annual growth

Although profits grew at a slower pace compared to business activities

* Includes off-balance sheet items
Source: Bank Negara Malaysia
Household debt remains elevated, but risks to financial stability are contained…

Expansion in household debt more in line with income and supported by comfortable financial buffers

<table>
<thead>
<tr>
<th></th>
<th>Annual Growth</th>
<th>Financial Asset-to-Debt Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>6% (2017: 6.4%)</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>5% (2017: 8.4%)</td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>4.7% (2017: 4.9%)</td>
<td>2.1 times</td>
</tr>
</tbody>
</table>

Financial institutions’ asset quality improved, coupled with declining share of exposures to the vulnerable segment

<table>
<thead>
<tr>
<th></th>
<th>Aggregate Impairment Ratio</th>
<th>Share of Borrowings by Vulnerable Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.2% (2017: 1.4%)</td>
<td>19.3% (2017: 19.9%)</td>
</tr>
<tr>
<td></td>
<td>(2014: 24.3%)</td>
<td>(2014: 24.3%)</td>
</tr>
</tbody>
</table>

Source: Bank Negara Malaysia and Department of Statistics, Malaysia
...with continued efforts to improve the financial well-being of households

Fair treatment of consumers

- Ensuring fair and transparent practices in the repricing of retail loans following missed or late repayments

- Prohibiting unfair terms & conditions in housing loan contracts and use of plain language for housing loan agreements

- Helping borrowers with persistent credit card debt to reduce financing charges and payoff their debt faster

Elevating financial literacy

Low overall Malaysia Financial Literacy and Capability Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>56.5</td>
</tr>
<tr>
<td>2018</td>
<td>57.1</td>
</tr>
</tbody>
</table>

National Strategy for Financial Literacy to drive actions to improve financial capability
Imbalances in the housing market are expected to gradually improve…

1 **Oversupply of higher-end housing**

~171,000\(^1\) unsold residential units

- 74% priced above RM300,000
- 39% priced above RM500,000

2 **Slower house price growth and rebalancing of supply will improve affordability**

- House price growth 26.5%
- Income growth 12.4%
- 5.7% (2014 – 2016)
- 6.8% (2014 – 2016)

- New housing launches priced below RM500,000

- 75%\(^2\) (2016: 66%)

3 **Firm demand for affordable homes further supported by various initiatives**

- Bank Negara RM1 billion fund for Affordable Homes
- Target to build 1 million affordable homes in next 10 years
- Home Ownership Campaign to clear unsold properties
- Stamp duty exemptions

---

\(1\) As at 3Q 2018
\(2\) Housing launches between 1Q and 3Q 2018

Source: Department of Statistics, Malaysia, National Property Information Centre, Government Budget 2019 and news flows
...while oversupply of office and retail space to persist

About 144 malls\(^1\) are expected to enter the key states from 2019 onwards

**Incoming Retail Supply**

- **Penang**
  - 9 mil sf\(^2\)
  - 65% of existing supply

- **Klang Valley**
  - 46.9 mil sf
  - 67% of existing supply

- **Johor**
  - 13.5 mil sf
  - 94% of existing supply

However, banks’ exposures to the office space and shopping complexes segment remain small

- **3.4%** of banks’ total outstanding loans
- **6.5%** of banks’ holding of corporate bonds and sukuk

Note:
- \(^1\) Malls include shopping complexes and hypermarkets
- \(^2\) Mil sf refers to million square feet

Source: Jones Lang Wootton

Source: Bank Negara Malaysia
Businesses continue to maintain comfortable debt servicing and liquidity positions despite more challenging conditions...

1. Business activity continued to be primarily supported by domestic financing

   - Non-financial Corporate Debt-to-GDP Ratio
     - 1998: 131.7%
     - 2017: 102.9%
     - 2018: 103.7%

   - Breakdown:
     - Domestic loans/financing
     - Domestic bonds/sukuk
     - External debt

2. Overall debt servicing and liquidity positions comfortably above prudent thresholds

   - Interest coverage ratio: 7.2x
   - Cash-to-short-term debt ratio: 1.6x

Source: Bank Negara Malaysia, Department of Statistics, Malaysia and Bloomberg
…with limited risks to financial stability

3 Risks from external borrowings are mitigated

- are medium- to long-term in nature
  Low rollover risks
- are intercompany loans
  Typically has flexible and concessionary terms
- 75% of approved offshore borrowings are hedged*
  Lower risk to exchange rate volatility

4 Potential losses from large borrower groups only account for about one-third of banks’ excess capital

Shock parameters

- 30% Depreciation in ringgit
- 50% Decline in operating profit
- 50 bps Increase in cost of RM borrowings
- 100 bps Increase in cost of FCY borrowings

*Based on BNM survey of approved bonds, notes and loans between 2015 and 2018
What is the direction of risks in 2019?

Stable overall financial stability outlook, risks remain manageable
Pockets of risks continue to persist, but households largely buffered by stable income and employment prospects

Healthy overall debt servicing and liquidity positions despite continued challenging conditions for oil and gas, property and construction sectors

Banks expected to remain resilient, even under adverse macro-economic and financial conditions

Unsold housing units may rise in the near term amid continuing adjustments in supply towards more affordable segments. Risks remain elevated in the office space and shopping complex segment

Disorderly adjustments in global financial markets, unresolved trade tensions and geopolitical events may trigger outflows. Strong domestic institutional investors and further development of the onshore FX market will continue to support orderly market conditions
Enhanced supervisory stress testing

- Integrated and multi-year stress scenarios

Implementation of Basel III standards and global reforms

- Net Stable Funding Ratio (NSFR)
- Domestic Systematically Important Banks (D-SIBs)

Strengthening crisis preparedness

- Recovery planning
- Business continuity management

Strengthening cyber resilience

- Risk Management in Technology (RMiT)
and safeguarding the integrity of the financial system against threats posed by money laundering and terrorism financing

Enhancements in the Preventive Framework

1. **Increased compliance**
   - Upgrade to full compliance for 4 Financial Action Task Force (FATF) Recommendations¹ for Malaysia

2. **Mitigate abuse of cash**
   - Reduction in the requirement for cash threshold report from RM50,000 to RM25,000

3. **Strengthened enforcement**
   - Enhancements to the Money Services Business (MSB) Act to address illegal MSB activities

4. **Enhanced surveillance**
   - Usage of data analytics to enhance the supervision of ML/TF risks and effectively regulate money services businesses

Moving forward

1. Study introduction of Cash Transaction Limit
2. Accelerating migration to e-payments

¹ The following recommendations have all been upgraded to fully compliant: Rec.5 Terrorism Financing Offence, Rec.7 Targeted Financial Sanctions (Proliferation Financing), Rec.32 Cash Couriers, and Rec.34 Guidance
Facilitating developments in financial technology...

- Open API Implementation Group
  - Collaboration with selected financial institutions, fintech firms and relevant agencies
  - Standardised specifications for open application programme interfaces (APIs)

- Digital Innovation Hub with UNCDF*
  - Technology in inclusive finance
  - Accelerator Programme

- Specialised Sandbox
  - Accelerate solutions to improve financial services

*United Nations Capital Development Fund
...with further acceleration in the migration to e-payments

**Debit Cards**
- **42.5 million**
  Number of debit cards
- **514,818**
  POS terminals
- **51.5%**
  Growth in debit card transactions

**Mobile Payments**
- **42.4 million**
  Mobile phone subscriptions (76% smartphones)
- **65,000+**
  Registered merchants
- **20x**
  Increase in payments for purchases

**2019**

**Roll-out of interoperable mobile payment solutions**
- **Instant payments via mobile, NRIC or business registration number**
  (Live since 8 December 2018)

- **Unified QR code** for merchants to accept payments (2H 2019)

Source: Bank Negara Malaysia
End of Presentation
Q&A Session
Additional Slides
Private domestic demand remain a key driver of growth

<table>
<thead>
<tr>
<th>Real GDP by Expenditure (Annual change, %)</th>
<th>2018 share(^1) (%)</th>
<th>2018</th>
<th>2019(^f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic demand</td>
<td>92.9</td>
<td>5.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Private Expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>72.8</td>
<td>7.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Investment</td>
<td>17.4</td>
<td>4.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Public Expenditure</td>
<td>20.1</td>
<td>0.1</td>
<td>-1.8</td>
</tr>
<tr>
<td>Consumption</td>
<td>20.1</td>
<td>0.1</td>
<td>-1.8</td>
</tr>
<tr>
<td>Investment</td>
<td>7.3</td>
<td>-5.2</td>
<td>-7.1</td>
</tr>
<tr>
<td>Net Exports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>8.4</td>
<td>13.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Imports</td>
<td>62.2</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Real GDP</td>
<td>100.0</td>
<td>4.7</td>
<td>4.3-4.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real GDP by Economic Activity (Annual change, %)</th>
<th>2018 share(^1) (%)</th>
<th>2018(^p)</th>
<th>2019(^f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>55.5</td>
<td>6.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23.0</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>7.9</td>
<td>-1.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>7.8</td>
<td>-0.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Construction</td>
<td>4.5</td>
<td>4.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Real GDP</td>
<td>100.0</td>
<td>4.7</td>
<td>4.3-4.8</td>
</tr>
</tbody>
</table>

\(^1\) Numbers may not add up due to rounding and exclusion of import duties
\(^p\) preliminary
\(^f\) forecast

Source: Department of Statistics, Malaysia, Bank Negara Malaysia
In the absence of major shocks, private sector spending to remain resilient

*Multiple shocks refer to GST, oil price decline, MYR depreciation, layoffs, and low oil and gas income growth

Source: Department of Statistics, Malaysia
Despite moderate sentiments, private consumption growth to remain firm

Less optimistic consumer sentiments may not necessarily reflect weaker actual spending

*Multiple shocks refer to GST, oil price decline, MYR depreciation, layoffs, and low oil and gas income growth

Source: Department of Statistics, Malaysia, MIER
Exports to continue to register positive growth

<table>
<thead>
<tr>
<th></th>
<th>Annual change (%)</th>
<th>2018 share (%)</th>
<th>2012-2017 average</th>
<th>2018&lt;sup&gt;p&lt;/sup&gt;</th>
<th>2019&lt;sup&gt;f&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RM billion</strong></td>
<td>100</td>
<td>5.2</td>
<td>6.8</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>781.2</td>
<td>998.3</td>
<td>1,032.5</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>84</td>
<td>7.2</td>
<td>9.1</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Commodity</td>
<td>16</td>
<td>-1.9</td>
<td>-3.2</td>
<td>-4.6</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Imports</strong></td>
<td>100</td>
<td>6.7</td>
<td>4.9</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td><strong>Trade Balance (RM billion)</strong></td>
<td>-</td>
<td>88.0</td>
<td>120.5</td>
<td>114.9</td>
<td></td>
</tr>
</tbody>
</table>

<sup>p</sup> preliminary  
<sup>f</sup> forecast  
Source: Department of Statistics, Malaysia, and Bank Negara Malaysia
Current account of the balance of payments remains in surplus

<table>
<thead>
<tr>
<th>Item (Net)</th>
<th>2016</th>
<th>2017</th>
<th>2018&lt;sup&gt;p&lt;/sup&gt;</th>
<th>2019&lt;sup&gt;f&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM million</td>
<td>RM million</td>
<td>RM million</td>
<td>RM million</td>
</tr>
<tr>
<td><strong>Goods&lt;sup&gt;1&lt;/sup&gt;</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td>102,046</td>
<td>116,766</td>
<td>121,362</td>
<td>116,167</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>-18,917</td>
<td>-22,815</td>
<td>-19,700</td>
<td>-19,825</td>
</tr>
<tr>
<td>Transportation</td>
<td>-23,459</td>
<td>-29,561</td>
<td>-27,757</td>
<td>-29,347</td>
</tr>
<tr>
<td>Travel</td>
<td>31,515</td>
<td>32,882</td>
<td>28,853</td>
<td>28,928</td>
</tr>
<tr>
<td>Other services</td>
<td>-26,309</td>
<td>-24,738</td>
<td>-19,921</td>
<td>-18,510</td>
</tr>
<tr>
<td>Government transactions n.i.e</td>
<td>-665</td>
<td>-1,399</td>
<td>-875</td>
<td>-896</td>
</tr>
<tr>
<td><strong>Balance on goods and services</strong></td>
<td>83,128</td>
<td>93,951</td>
<td>101,662</td>
<td>96,342</td>
</tr>
<tr>
<td><strong>Primary income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>-34,592</td>
<td>-36,354</td>
<td>-49,377</td>
<td>-50,186</td>
</tr>
<tr>
<td>Investment income</td>
<td>-28,986</td>
<td>-31,581</td>
<td>-41,584</td>
<td>-42,268</td>
</tr>
<tr>
<td><strong>Secondary income</strong></td>
<td>-18,629</td>
<td>-17,322</td>
<td>-18,780</td>
<td>-18,150</td>
</tr>
<tr>
<td><strong>Balance on current account</strong></td>
<td>29,907</td>
<td>40,275</td>
<td>33,505</td>
<td>28,005</td>
</tr>
<tr>
<td>% of GNI</td>
<td>2.5</td>
<td>3.1</td>
<td>2.4</td>
<td>1.5 - 2.5</td>
</tr>
</tbody>
</table>

<sup>1</sup> Adjusted for valuation and coverage of goods for processing, storage and distribution
<sup>p</sup> preliminary
<sup>f</sup> forecast

Source: Department of Statistics, Malaysia, and Bank Negara Malaysia
Financial account of the balance of payments recorded a net inflow in 2018

<table>
<thead>
<tr>
<th>Item¹ (Net)</th>
<th>2016</th>
<th>2017</th>
<th>2018p</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>-42,246</td>
<td>-24,234</td>
<td>-23,290</td>
</tr>
<tr>
<td>Liabilities</td>
<td>56,038</td>
<td>40,405</td>
<td>34,632</td>
</tr>
<tr>
<td>Portfolio Investment</td>
<td>-14,203</td>
<td>-15,358</td>
<td>-44,402</td>
</tr>
<tr>
<td>Assets</td>
<td>-15,009</td>
<td>-19,442</td>
<td>-9,112</td>
</tr>
<tr>
<td>Liabilities</td>
<td>806</td>
<td>4,084</td>
<td>-35,290</td>
</tr>
<tr>
<td>Financial Derivatives</td>
<td>-802</td>
<td>-197</td>
<td>971</td>
</tr>
<tr>
<td>Other Investment</td>
<td>964</td>
<td>-5,346</td>
<td>50,699</td>
</tr>
<tr>
<td>Balance on Financial Account</td>
<td>-249</td>
<td>-4,730</td>
<td>18,609</td>
</tr>
</tbody>
</table>

**Direct Investment (BPM5 Convention)**

| Direct Investment Abroad | -33,233  | -24,248  | -21,307  |
| Foreign Direct Investment | 47,025   | 40,419   | 32,648   |

¹ In accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) by the International Monetary Fund (IMF), unless stated otherwise

P: preliminary

Source: Department of Statistics, Malaysia; and Bank Negara Malaysia
## Banking System
### - Key Financial Soundness Indicators

<table>
<thead>
<tr>
<th>Banking System</th>
<th>As at</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td><strong>Total Capital Ratio</strong></td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Tier 1 Capital Ratio</strong></td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Common Equity Tier 1 Capital Ratio</strong></td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Return on Assets</strong></td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Return on Equity</strong></td>
<td>15.2</td>
</tr>
<tr>
<td><strong>Liquid Assets to Total Assets</strong></td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Liquid Assets to Short-term Liabilities</strong></td>
<td>42.6</td>
</tr>
<tr>
<td><strong>Liquidity Coverage Ratio&lt;sup&gt;1&lt;/sup&gt;</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Impaired Loans Ratio</strong></td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Capital Charge on Interest Rate Risk in the Trading Book to Capital Base</strong></td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Net Open Position in FC to Capital Base</strong></td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Equity Holdings to Capital Base</strong></td>
<td>1.3</td>
</tr>
</tbody>
</table>

<sup>1</sup> The Liquidity Coverage Ratio (LCR) Framework takes effect on 1 June 2015 and supersedes the guidelines on Liquidity Framework and Liquidity Framework-i issued on 1 July 1998

<sup>p</sup> preliminary

Note: Figures may not necessarily add up due to rounding

Source: Bank Negara Malaysia and Department of Statistics, Malaysia
Implementation of Cash Transaction Limit(s) in Selected Jurisdictions

<table>
<thead>
<tr>
<th>Single limit</th>
<th>Multiple limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia*</td>
<td>RM104,822 (MXN500,000)</td>
</tr>
<tr>
<td>RM30,160 (AUD10,000)</td>
<td>RM71,400 (EUR15,000)</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>RM41,929 (MXN200,000)</td>
</tr>
<tr>
<td>RM64,935 (CZK350,000)</td>
<td>RM71,400 (EUR15,000)</td>
</tr>
<tr>
<td>Italy</td>
<td>RM23,800 (EUR5,000)</td>
</tr>
<tr>
<td>RM14,280 (EUR3,000)</td>
<td>RM11,820 (INR200,000)</td>
</tr>
<tr>
<td>France</td>
<td>RM11,900 (EUR2,500)</td>
</tr>
<tr>
<td>RM1,428 (EUR300)</td>
<td>RM1,182 (INR20,000)</td>
</tr>
<tr>
<td>India</td>
<td>Mexico</td>
</tr>
<tr>
<td>Spain</td>
<td>Slovakia</td>
</tr>
</tbody>
</table>

* Effective 1 July 2019

Note: For jurisdictions with multiple limits, the limits differ according to categories such as purpose of transaction, business sector, parties involved and whether parties to the transaction are residents or non-residents. Currency conversions are based on average exchange rate for the year 2018.

Source: The Australian Government, Treasury, European Consumer Centre, Central Board of Direct Taxes – India, Forbes